

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>HAMLIN TOWNSHIP</b>	County <b>MASON</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>6/12/06</b>	Date Accountant Report Submitted to State <b>7/5/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name)

**BRICKLEY DELONG, PLC**

Street Address

**500 TERRACE PLAZA P.O. BOX 999**

City

**MUSKEGON**

State

**MI**

Zip

**49443**

Accountant Signature

*Brickley DeLong PLC*

Date

**7/5/06**

Hamlin Township  
Mason County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2006

Hamlin Township  
**LIST OF ELECTED OFFICIALS**  
March 31, 2006

**ELECTED OFFICIALS**

Supervisor.....Nancy Sniegowski

Clerk.....Cathy Lewis

Treasurer.....Mary McCarthy

Trustees .....Johnaine Gurzynski  
Brian Vandervest

Hamlin Township

**TABLE OF CONTENTS**

Management’s Discussion and Analysis.....	i - vii
Independent Auditors’ Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	2
Statement of Activities .....	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Assets .....	5
Statement of Revenues, Expenditures and Changes	
in Fund Balances .....	6
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Statement of	
Activities .....	7
Statement of Fiduciary Assets and Liabilities.....	8
Notes to Financial Statements .....	9
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund .....	20
Budgetary Comparison Schedule—Fire Fund .....	21

As management of Hamlin Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Hamlin Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

**FINANCIAL HIGHLIGHTS**

- The General Fund fund balance increased \$139,415, while the Fire Fund fund balance decreased by \$2,969.
- The Township received two new voting machines from the State of Michigan and purchased an additional voting machine to help with elections.
- The Township spent \$67,877 on improving the roads within the Township, a portion of the cost related to these improvements was provided by contributions from residents.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Hamlin Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, health and sanitation, culture and recreation, and community and economic development.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Debt Service Fund, which are considered major funds. Data from the Budget Stabilization Fund is presented as an other governmental fund.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Fire Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Hamlin Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2006, the Township's net assets from governmental activities totaled \$1,528,515.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$947,323. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Current assets and other assets	\$ 1,088,130	\$ 937,518
Capital assets	972,408	1,004,684
Total assets	2,060,538	1,942,202
Current liabilities	26,387	35,512
Noncurrent liabilities	505,635	530,741
Total liabilities	532,022	566,253
Net assets		
Invested in capital assets, net of related debt	440,386	450,369
Restricted	140,807	117,373
Unrestricted	947,323	808,207
Total net assets	\$ 1,528,516	\$ 1,375,949

Capital assets decreased primarily due to current depreciation expense. Total liabilities decreased due to regular debt payments.

**Governmental Activities**

Governmental activities increased by \$152,567 during the 2006 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

When comparing the 2006 fiscal year to the 2005 fiscal year revenue and expenditures of governmental activities were fairly consistent for most categories. Property tax revenue is up due to growth in taxable values and growth in the Township. Grants and contributions not restricted are up because the State of Michigan donated two voting machines to the Township. General government expenses are down because there was not a big election this year and fewer repairs and maintenance were done on the Township hall this year. Public works expenses are up because the Township participated in several road projects this year.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 86,810	\$ 83,124
Capital grants and contributions	8,950	4,000
General revenues		
Property taxes	266,726	254,009
Franchise fees	4,206	4,178
Grants and contributions not restricted	224,968	215,371
Unrestricted investment earning	25,273	16,941
Miscellaneous	19,937	9,215
<b>Total revenues</b>	<b>636,870</b>	<b>586,838</b>
<b>Expenses:</b>		
General government	227,790	249,301
Public safety	97,157	81,769
Public works	69,820	49,037
Health and sanitation	23,734	35,861
Culture and recreation	9,793	14,734
Community and economic development	25,627	30,074
Interest on long-term debt	30,382	31,572
<b>Total expenses</b>	<b>484,303</b>	<b>492,348</b>
<b>Change in net assets</b>	<b>152,567</b>	<b>94,490</b>
<b>Net assets - Beginning</b>	<b>1,375,949</b>	<b>1,281,459</b>
<b>Net assets - Ending</b>	<b>\$ 1,528,516</b>	<b>\$ 1,375,949</b>



**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hamlin Township. At the end of the fiscal year 2006, the unreserved General Fund fund balance was \$829,937 and the total General Fund fund balance was \$833,975, which is an increase of 20% over the prior year.

The Fire Fund accounts for the activities of the Township's fire department. The fire department provides services to the residents of Hamlin Township and several surrounding townships as part of the Western Mason County Fire District Authority, Inc. The fund balance at the end of the 2006 fiscal year was \$74,748, which is a decrease of 4% over the prior year.

The Debt Service Fund is used to account for debt payments on the new fire station. It is supported by property taxes.

At the end of the 2006 fiscal year, Hamlin Township's governmental funds reported a combined unreserved fund balance of \$940,840. This number represents the unreserved fund balance of \$829,937 in the General Fund, \$72,303 in the Fire Fund and \$38,600 in the Budget Stabilization Fund. It is necessary to further distinguish the total fund balance of \$1,088,130 between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. Of the total reserved fund balance, \$6,483 is reserved for prepaid items and \$140,807 is reserved for debt service payments.

**General Fund Budget**

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The intergovernmental revenue budget was increased by \$7,000 due to the state not decreasing state aid revenue sharing as expected.
- The budget for charges for services was increased by \$11,600. The Township amended this line item for expected increases in administrative fees related to property tax collection and for fees charged for permits and land divisions.
- The investment earnings budget was increased from \$10,000 to \$17,000 due to the Township realizing better interest rates as the year progressed.
- The only significant expenditure budget amendment was a decrease to capital outlay due to the Township not purchasing many capital assets in the current year as originally planned.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Charges for services were higher than the final budget due to individuals in the township contributing to the road projects.
- Intergovernmental revenue was higher than budgeted because more state revenue sharing was received than expected.
- Legislative expenditures were lower than expected largely due to legal fees being less than budgeted.

### **Capital Assets Administration**

Hamlin Township's investment in capital assets for its governmental activities as of March 31, 2006 totaled \$972,408 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Township was granted two voting machines from the State of Michigan and purchased a third. The value of all machines was about \$13,425.
- The remainder of the capital assets added during the year were improvements to the fire building and equipment.

### **Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities 2006	Governmental Activities 2005
Land	\$ 142,018	\$ 142,018
Buildings and improvements	759,702	786,003
Furniture and equipment	66,038	66,788
Vehicles	4,650	9,875
Total	<u>\$ 972,408</u>	<u>\$ 1,004,684</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

**Long-Term Debt**

At the end of the 2006 fiscal year, the Township had total outstanding debt of \$532,022 consisting of general obligations bonds, capital leases, and accumulated compensated absences. The general obligation debt of \$525,000 in governmental funds is backed by the full-faith and credit of the Township.

**Outstanding Debt**

	Governmental Activities 2006	Governmental Activities 2005
General obligation bonds	\$ 525,000	\$ 550,000
Capital leases	3,071	4,315
Accumulated compensated absences	3,951	2,670
Total	<u>\$ 532,022</u>	<u>\$ 556,985</u>

The Township's total debt decreased by \$24,963 during the fiscal year. This reduction was due to normal debt payoffs of \$26,244 and an increase in accumulated compensated absences of \$1,281.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**General Economic Overview**

Hamlin Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

Hamlin Township's General Fund is comprised of two major revenue sources: state revenue sharing and property tax revenue. Those two sources comprise approximately 75% of the General Fund's revenue sources. In fiscal year 2007, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2006.

The employment situation for Mason County and the surrounding area is a concern for caution and conservativeness with the Township spending. However, Hamlin Township is optimistic for future economic growth development including several new subdivisions located in the Township.

In the next fiscal year, the Township is participating with the City of Ludington's Recreational Program, which will allow all township youth to participate in the program's activities.

**Requests for Information**

This financial report is designed to provide a general overview of the Hamlin Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hamlin Township, 3775 N. Jebavy Drive, Ludington, Michigan, 49431, (231) 845-7801.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

June 12, 2006

Township Board  
Hamlin Township  
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2006, which collectively comprise Hamlin Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 20 - 21 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Hamlin Township  
**STATEMENT OF NET ASSETS**  
 March 31, 2006

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and investments	\$ 1,021,463
Taxes receivable	23,811
Due from other governmental units	36,373
Prepaid items	<u>6,483</u>
Total current assets	1,088,130
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	142,018
Depreciable	<u>830,390</u>
Total noncurrent assets	<u>972,408</u>
Total assets	2,060,538
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Bonds and other obligations, due within one year	26,387
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>505,635</u>
Total liabilities	<u>532,022</u>
NET ASSETS	
Invested in capital assets, net of related debt	440,386
Restricted for debt service	140,807
Unrestricted	<u>947,323</u>
Total net assets	<u><u>\$ 1,528,516</u></u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2006

<b><i>Functions/Programs</i></b>	Expenses	Program Revenue		Net (Expense)
		Charges for services	Capital grants and contributions	Revenue and Changes in Net Assets
				Governmental activities
Governmental activities				
General government	\$ 227,790	\$ 66,474	\$ 8,950	\$ (152,366)
Public safety	97,157	-	-	(97,157)
Public works	69,820	20,336	-	(49,484)
Health and sanitation	23,734	-	-	(23,734)
Community and economic development	25,627	-	-	(25,627)
Culture and recreation	9,793	-	-	(9,793)
Interest on long-term debt	30,382	-	-	(30,382)
Total governmental activities	<u>\$ 484,303</u>	<u>\$ 86,810</u>	<u>\$ 8,950</u>	(388,543)
General revenues				
Property taxes, levied for				
General purposes				119,621
Specific purposes				147,105
Franchise fees				4,206
Grants and contributions not restricted to specific programs				224,968
Unrestricted investment earnings				25,273
Miscellaneous				19,937
Total general revenues				<u>541,110</u>
Change in net assets				152,567
Net assets at April 1, 2005				<u>1,375,949</u>
Net assets at March 31, 2006				<u>\$ 1,528,516</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2006

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
<b>ASSETS</b>					
Cash and investments	\$ 781,859	\$ 66,444	\$ 134,560	\$ 38,600	\$ 1,021,463
Taxes receivable	11,705	5,859	6,247	-	23,811
Due from other governmental units	36,373	-	-	-	36,373
Prepaid items	4,038	2,445	-	-	6,483
Total assets	<u>\$ 833,975</u>	<u>\$ 74,748</u>	<u>\$ 140,807</u>	<u>\$ 38,600</u>	<u>\$ 1,088,130</u>
<b>FUND BALANCES</b>					
Fund balances					
Reserved for:					
Debt service	\$ -	\$ -	\$ 140,807	\$ -	\$ 140,807
Prepaid items	4,038	2,445	-	-	6,483
Unreserved					
General Fund	829,937	-	-	-	829,937
Special revenue funds	-	72,303	-	38,600	110,903
Total fund balances	<u>\$ 833,975</u>	<u>\$ 74,748</u>	<u>\$ 140,807</u>	<u>\$ 38,600</u>	<u>\$ 1,088,130</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 March 31, 2006

Total fund balance—governmental funds		\$ 1,088,130
---------------------------------------	--	--------------

Amounts reported for governmental activities in the Statement of Net Assets  
 are different because:

Capital assets used in governmental activities are not financial resources and  
 are not reported in the governmental funds.

Cost of capital assets	\$ 1,442,458	
Accumulated depreciation	<u>(470,050)</u>	972,408

Long-term liabilities in governmental activities are not due and payable in the current  
 period and are not reported in the governmental funds.

Bonds and capital lease payable	(528,071)	
Compensated absences	<u>(3,951)</u>	<u>(532,022)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,528,516</u></u>
--	--	----------------------------

The accompanying notes are an integral part of this statement.



Hamlin Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2006

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
REVENUES					
Property taxes	\$ 119,621	\$ 71,145	\$ 75,960	\$ -	\$ 266,726
Licenses and permits	3,672	-	-	-	3,672
Intergovernmental revenues - state	233,918	-	-	-	233,918
Charges for services	93,739	-	-	-	93,739
Fines and forfeitures	200	-	-	-	200
Investment earnings	20,253	935	2,719	1,167	25,074
Other	12,400	2,640	-	-	15,040
Total revenues	483,803	74,720	78,679	1,167	638,369
EXPENDITURES					
Current					
General government	203,742	-	-	-	203,742
Public safety	-	73,814	-	-	73,814
Public works	69,820	-	-	-	69,820
Health and sanitation	23,734	-	-	-	23,734
Community and economic development	25,627	-	-	-	25,627
Culture and recreation	7,551	-	-	-	7,551
Debt service					
Principal	1,244	-	25,000	-	26,244
Interest and fees	412	-	30,245	-	30,657
Capital outlay	13,425	3,875	-	-	17,300
Total expenditures	345,555	77,689	55,245	-	478,489
Excess of revenues over (under) expenditures	138,248	(2,969)	23,434	1,167	159,880
OTHER FINANCING SOURCES (USES)					
Transfers in	1,167	-	-	-	1,167
Transfers out	-	-	-	(1,167)	(1,167)
Total other financing sources (uses)	1,167	-	-	(1,167)	-
Net change in fund balances	139,415	(2,969)	23,434	-	159,880
Fund balances at April 1, 2005	694,560	77,717	117,373	38,600	928,250
Fund balances at March 31, 2006	\$ 833,975	\$ 74,748	\$ 140,807	\$ 38,600	\$ 1,088,130

The accompanying notes are an integral part of this statement.

Hamlin Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2006

Net change in fund balances—total governmental funds	\$	159,880
--	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (49,576)	
Capital outlay	<u>17,300</u>	(32,276)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		26,244
---	--	--------

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>(1,281)</u>
--	--	----------------

Change in net assets of governmental activities	\$	<u><u>152,567</u></u>
---	----	-----------------------

The accompanying notes are an integral part of this statement.

Hamlin Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Fiduciary Funds  
 March 31, 2006

	<u>Tax Account</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ <u>        -</u>	\$ <u>      5,044</u>	\$ <u>      5,044</u>
<b>LIABILITIES</b>			
Due to other governmental units	\$ <u>        -</u>	\$ <u>      5,044</u>	\$ <u>      5,044</u>

The accompanying notes are an integral part of this statement.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Hamlin Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the Township's fire department operations.

The Debt Service Fund is used for the repayment of debt.

The Township only has one other governmental fund, the Budget Stabilization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Deposits and Investments—Continued**

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the county for collection. The county advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$151,667,000. The ad valorem taxes levied consisted of .7483 mills for the Township's operating purposes, .4679 mills for fire operating purposes and .5 mills for debt service. These amounts are recognized in the respective General Fund, Fire Fund and Debt Service Fund.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Hamlin Township  
NOTES TO FINANCIAL STATEMENTS—CONTINUED  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets—Continued**

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	5-10
Vehicles	7-20

**Compensated Absences**

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Township. Accumulated vacation time does not generally carry over beyond the calendar year in which it is earned. Sick leave accrues to full-time permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

For the year ended March 31, 2006, expenditures exceeded appropriations for the following departments:

	Amended budget	Actual
General Fund		
Board of review	\$ 1,500	\$ 1,992
Debt service		
Principal	-	1,244
Interest and fees	-	412
Fire Fund		
Public safety	68,000	73,814
Capital outlay	3,500	3,875



Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$844,258 of the Township's bank balance of \$1,044,258 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 142,018	\$ -	\$ -	\$ 142,018
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,025,201	1,892	-	1,027,093
Furniture and equipment	143,439	15,408	-	158,847
Vehicles	114,500	-	-	114,500
Total capital assets, being depreciated	1,283,140	17,300	-	1,300,440

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE D—CAPITAL ASSETS—Continued**

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Buildings and improvements	\$ 239,198	\$ 28,193	\$ -	\$ 267,391
Furniture and equipment	76,651	16,158	-	92,809
Vehicles	104,625	5,225	-	109,850
Total accumulated depreciation	420,474	49,576	-	470,050
Total capital assets, being depreciated, net	862,666	(32,276)	-	830,390
Capital assets, net	\$ 1,004,684	\$ (32,276)	\$ -	\$ 972,408

**Depreciation**

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 22,767
Public safety	24,567
Culture and recreation	2,242
	<u>\$ 49,576</u>

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund transfers:**

The Budget Stabilization Fund transferred \$1,167 to the General Fund for interest revenue earned on certificates of deposit.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2006.

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 550,000	\$ -	\$ 25,000	\$ 525,000	\$ 25,000
Capital lease payable	4,315		1,244	3,071	1,387
Compensated absences	2,670	1,281	-	3,951	-
Governmental activity long-term liabilities	<u>\$ 556,985</u>	<u>\$ 1,281</u>	<u>\$ 26,244</u>	<u>\$ 532,022</u>	<u>\$ 26,387</u>

**Governmental activities:**

**General obligation bonds:**

\$550,000 Limited Tax General Obligation

Bonds of 2000 payable in annual installments  
of \$25,000 to \$55,000 through March 2020;  
interest at 5.3%

\$ 525,000

**Other obligations:**

10.98% Capital lease payable due in monthly  
installments of \$138 including interest; final  
payment due April 2008

3,071

528,071

Compensated absences

3,951

\$ 532,022

The general obligation bonds are backed by the full faith and credit of the Township.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

Annual debt service requirements to maturity for debt outstanding as of March 31, 2006 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2007	\$ 26,388	\$ 28,913
2008	26,547	27,429
2009	30,136	25,995
2010	30,000	24,406
2011	30,000	22,816
2012-2016	190,000	86,516
2017-2020	195,000	28,200
	<u>\$ 528,071</u>	<u>\$ 244,275</u>

**NOTE G—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Mason County Rural Fire Authority purchased two fire trucks funded by loans. The Township has pledged its full faith and credit for its portion of the debt should the Authority not be able to make the debt payments. The Township's portion of the debt on March 31, 2006 was \$112,615. The Township is unaware of any circumstances that would cause a default in the near future.

**Commitments**

The Township has several contract agreements for road projects as of March 31, 2006 of approximately \$40,600.

Hamlin Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE H—PENSION PLAN**

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2006, pension expense was approximately \$10,000. Employees did not contribute to the Plan.

**NOTE I—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 45 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Hamlin Township**  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 109,300	\$ 112,810	\$ 119,621	\$ 6,811
Licenses and permits	2,520	2,540	3,672	1,132
Intergovernmental revenues - state	178,000	185,571	233,918	48,347
Charges for services	73,200	84,800	93,739	8,939
Fines and forfeitures	50	50	200	150
Investment earnings	10,000	17,300	20,253	2,953
Other	350	3,151	12,400	9,249
Total revenues	373,420	406,222	483,803	77,581
EXPENDITURES				
Current				
General government				
Legislative	37,500	37,500	25,076	12,424
Supervisor	19,500	19,500	19,156	344
Elections	10,000	10,000	1,288	8,712
Board of review	1,500	1,500	1,992	(492)
Clerk	23,500	23,956	22,999	957
Treasurer	30,000	30,000	30,578	(578)
Assessor	46,000	46,600	45,944	656
Office manager	35,000	38,150	37,446	704
Township hall	22,000	22,000	19,263	2,737
Public works				
Roads	68,000	68,000	67,877	123
Street lights	2,000	2,000	1,943	57
Health and sanitation				
Transfer facility	25,000	25,000	23,734	1,266
Community and economic development				
Zoning administrator	19,500	20,000	17,394	2,606
Planning commission	8,000	8,000	5,894	2,106
Zoning board of appeals	2,500	2,500	2,339	161
Culture and recreation				
Parks	7,000	7,250	7,551	(301)
Debt service				
Principal	-	-	1,244	(1,244)
Interest and fees	-	-	412	(412)
Capital outlay	31,500	26,407	13,425	12,982
Total expenditures	388,500	388,363	345,555	42,808
Excess of revenues over (under) expenditures	(15,080)	17,859	138,248	120,389
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,088	1,167	(8,921)
Transfers out	-	(137)	-	137
Total other financing sources (uses)	-	9,951	1,167	(8,784)
Net change in fund balance	\$ (15,080)	\$ 27,810	139,415	\$ 111,605
Fund balance at April 1, 2005			694,560	
Fund balance at March 31, 2006			\$ 833,975	

Hamlin Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Fire Fund  
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 68,048	\$ 68,048	\$ 71,145	\$ 3,097
Investment earnings	-	-	935	935
Other	-	-	2,640	2,640
Total revenues	68,048	68,048	74,720	6,672
EXPENDITURES				
Current				
Public safety	68,000	68,000	73,814	(5,814)
Capital outlay	3,500	3,500	3,875	(375)
Total expenditures	71,500	71,500	77,689	(6,189)
Net change in fund balance	\$ <u>(3,452)</u>	\$ <u>(3,452)</u>	(2,969)	\$ <u>483</u>
Fund balance at April 1, 2005			<u>77,717</u>	
Fund balance at March 31, 2006			\$ <u>74,748</u>	



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 12, 2006

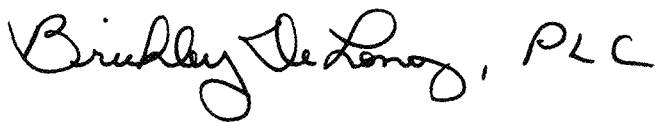
Township Board  
Hamlin Township  
Ludington, Michigan

In planning and performing our audit of the general purpose financial statements of Hamlin Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Hamlin Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



## REPORTABLE CONDITIONS

Recommendation 1:     The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting systems, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions by the Township Board and supervisor.

Recommendation 2:     The treasurer and clerk should compare cash balances on a monthly basis.

In our year end testing, we noted that the treasurer's cash balance report agreed with the reconciled cash per the bank records, but the clerk's records of cash did not agree.

We recommend that the clerk and treasurer reconcile cash on a monthly basis. This would allow any differences to be corrected quickly, rather than attempting to resolve the difference at year end.